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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

BEFORE THE
Federal Communications Commission

WASHINGTON, D.C. 20554

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In the Matter of)	
)	
Access Charge Reform)	CC Docket No. 96-262
)	
Price Cap Performance Review for Local Exchange Carriers)	CC Docket No. 94-1
)	
Transport Rate Structure and Pricing)	CC Docket No. 91-213
)	
Usage of the Public Switched Network by Information Service and Internet Access Providers)	CC Docket No. 96-263
)	

**COMMENTS OF THE
INTERNATIONAL COMMUNICATIONS ASSOCIATION**

The International Communications Association ("ICA")^{1/}, by its attorney, hereby submits its initial comments in response to the Commission's Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry in the above-captioned matter^{2/}, as modified by the Order of the

1/ ICA is the largest association of telecommunications users in the United States, with more than 500 members who spend at least \$1 million per year upon acquisitions of services and equipment. Because of ICA members' increasing reliance on public telecommunications, ICA members' expenditures on telecommunications are growing rapidly. Recent estimates indicate ICA members spend approximately \$23 billion on telecommunications services and equipment. As heavy users of telecommunications services, ICA members have a special interest in the Commission's deliberations in this proceeding.

2/ Access Charge Reform, Price Cap Performance Review, Transport Rate Structure and Pricing,

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Common Carrier Bureau Chief released on January 22, 1997 (DA 97-146). As large users of local exchange and exchange access services, ICA members will be directly impacted by any decisions reached by the Commission in this proceeding.

INTRODUCTION

It is ICA's intention that these initial comments be limited to a relatively few core principles that will serve as the basis of ICA's analysis of the information and disinformation that is submitted to the Commission in the initial comments of interested parties. If the Commission is to succeed in its effort to reform its "system of interstate access charges to make it compatible with the competitive paradigm established by the 1996 Act,"^{2/} the Commission must ensure that the local exchange carriers ("LECs") are not allowed to use their monopoly position in the marketplace to thwart the entry of meaningful competition in the local market or to undermine the existing level of competition that exists in the long distance market.

CORE PRINCIPLES

Local Exchange Competition.

Today's local exchange marketplace is devoid of any meaningful level of choice, let alone competition. If the Commission decision makers are some how not already well aware of this fact, they should listen to the views of the Congressional members of Congress who played a leadership role in drafting the legislation that was finally sent to the President for his signature. The

2/(...continued)

Usage of the Public Switched Network by Information Service and Internet Access Providers, CC Docket Nos. 960262, 94-1, 91-213, 96-263, Notice of Proposed Rulemaking, Third Report and Order, and Notice of Inquiry, FCC 96-488 (released Dec. 24, 1996)("Access Reform NPRM").

3/ Access Reform NPRM at 5.

Congressional leadership clearly recognized the need to bring "competition to residential and business customers in **what are presently monopoly markets for telephone exchange and exchange access services**"⁴ If the Commission does not fully grasp this fact when deliberating on the issues raised in this proceeding, its resulting decisions will undermine the clear Congressional goal of bringing competition to the last American telecommunications market that is monopoly controlled -- the local exchange -- and deny residential and business telephone customers the benefits that come with competition: choice, technological innovation, and lower prices.

State Arbitration Decisions.

The Commission must realize that as a result of the 8th Circuit Court of Appeals stay of the Commission's excellent pricing policies based on forward looking economic costs, a number of state public service commissions have deviated from forward looking cost based economics. Prior to the 8th Circuit stay, the Commission was assured of a uniform nationwide application of cost based pricing for the basic elements of the local exchange. While the state arbitration process will not be completed until after the Commission issues its initial decision in this proceeding, the preliminary state results are clearly painting a picture of a **balkanized** nation for the foreseeable future. This reality increases the need for the Commission to eliminate the excesses in its access charge system in order to ensure that the pro-competitive goals of the landmark legislation become a reality.

⁴/ Iowa Utilities Board, et al., v. FCC, No. 96-3321 and consolidated cases (8th Cir.), Motion of the Honorable Thomas J. Bliley, Jr., the Honorable Ernest F. Hollings, the Honorable Ted Stevens, the Honorable Daniel K. Inouye, the Honorable Trent Lott, and the Honorable Edward J. Markey at 3 (Dec. 23, 1996).

Price Caps.

For the first time during the Commission's access charge regime, overall interstate access charges actually went up under its annual access charge procedures. While the increase in overall access charges was modest, the mere fact that an increase occurred at all is a direct result of the Commission's decision to ignore the extremely high earnings of the price cap LECs and the weight of a complete record and delay any upward adjustment to its price cap productivity adjustment, or X-factor. Had the Commission followed the suggestions of the CARE Coalition last year, the size of the access charge reform problem before the Commission would be smaller!

Market-based Approach.

Market-based policies are inappropriate for monopoly markets. No matter how appealing the reduced regulatory work loads of a market-based approach might be, the simple fact is that only with responsible efforts to force monopoly prices closer to cost (a process that the Commission refers to as a prescriptive approach) will the American telephone customer be assured to benefiting from the pro-competitive goals of our congress.

CONCLUSION

ICA commends these core principles to the Commission and looks forward to reviewing the initial comments of interested parties.

Respectfully Submitted,

INTERNATIONAL COMMUNICATIONS ASSOCIATION

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